

STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:

**SAMUEL GARY, JR. & ASSOCIATES, INC.
and
KAISER FRANCIS OIL COMPANY**

**PROCEEDINGS UNDER THE LOUISIANA
ENVIRONMENTAL QUALITY ACT
LA. R.S. 30:2001, ET SEQ.**

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Agency Interest Numbers:

102411

113213

87923

93579

SETTLEMENT

The following Settlement is hereby agreed to between Samuel Gary, Jr. & Associates, Inc. and Kaiser Francis Oil Company (hereinafter collectively referred to as SGA/KFOC, unless otherwise specified) and the Department of Environmental Quality (“DEQ” or “the Department”), under authority granted by the Louisiana Environmental Quality Act, La. R.S. 30:2001, et seq. (“the Act”).

I

SGA/KFOC are co-owners in certain oil and gas production facilities, all of which are located in remote areas of Cameron Parish, Louisiana. Samuel Gary is the operator of record and Kaiser-Francis is the majority interest owner and currently serves as the contract operator.

II

The oil and gas production facilities at issue in this proceeding, along with their respective air emission permit numbers and agency interest numbers, are as follows:

Facility	Permit Number	Agency Interest Number
Collingwood No. 1	0560-00199-00	102411
Bonne Terre Exploration Co. LLC, et al 29 No. 1	0560-00200-00	87923
Odom, R.E. 21-2	0560-00192-00	113213
Odom, R.E. No. 1	0560-00181-00	93579

III

Brammer Engineering, Inc. (“Brammer”) served as the contract operator of the facilities until Kaiser-Francis assumed those responsibilities in November, 2003. At all pertinent times, Brammer was fully responsible under a Contract Operating Agreement with Samuel Gary for all matters relating to regulatory and environmental permitting and compliance matters.

IV

An internal audit of the facilities conducted on its own initiative by SGA/KFOC personnel indicated possible past noncompliance with the Act and implementing regulations. Without the necessity of any type of inspection, file review, or prompting by DEQ, SGA/KFOC voluntarily self-disclosed the possible past noncompliance to DEQ in two formal, self-disclosure notification letters to DEQ on April 6, 2004 and April 13, 2004 (the “self-disclosure letters”).

V

SGA/KFOC discovered and reported to DEQ the following noncompliance:

- A. Operation of the facilities without the required permit, in violation of LAC 33:III.501.C.2 and Section 2057(A) of the Act.
- B. Operation of the facilities without appropriate controls, in violation of LAC 33:III.905 and Section 2057(A) of the Act.

VI

Prior to the time the actual self-disclosure letters were submitted to DEQ, SGA/KFOC, without the necessity of any formal enforcement action or prompting by DEQ, had applied for and obtained the appropriate air quality permits for all facilities listed in Section II, above. Under LAC 33:III, "Air," the regulations governing air quality in the State of Louisiana, all of SGA/KFOC's facilities in Louisiana are regarded as minor sources of emissions. Each such facility has received a minor source permit from the DEQ; specifically, each facility has obtained coverage under the DEQ's Standard Oil and Gas Air Permit. Further, SGA/KFOC installed the appropriate air quality control devices on each of its facilities as required by the regulations.

VII

The facilities listed in Section II, above, have the appropriate air quality permits, have the appropriate air quality control devices, and are in compliance with the air quality rules and regulations governing their operations.

VIII

SGA/KFOC specifically denies it committed any violations or that it is liable for any fines, forfeitures, and/or penalties.

IX

Nonetheless, SGA/KFOC, without making any admission of liability under state or federal

statute or regulation, agrees to pay, and the DEQ agrees to accept, a payment in the amount of \$6,940.64 (of which \$1,690.64 represents all of the monetary benefits of noncompliance) in settlement of all claims set forth in this Settlement. The settlement specifically includes a resolution of any claims that could have been made against SGA/KFOC for 1) the incidents of noncompliance described in the above-referenced self disclosure letters; and 2) all other noncompliance known to the Department as of June 16, 2004. The total amount of money expended by SGA/KFOC on cash payments to DEQ, as described above, shall be considered a civil penalty for tax purposes, as required by La. R. S. 30:2050.7(E)(1).

X

SGA/KFOC further agrees that the Department may consider this Settlement for the purpose of determining compliance history in connection with any future enforcement or permitting action by the Department against SGA/KFOC for these facilities, and in any such action SGA/KFOC shall be estopped from objecting to the above-referenced documents being considered as proving the violations alleged herein for the sole purpose of determining SGA/KFOC's compliance history.

XI

This agreement shall be considered a final order of the secretary for all purposes, including, but not limited to, enforcement under La. R.S. 30:2025(G)(2), and SGA/KFOC hereby waives any right to administrative or judicial review of the terms of this agreement, except such review as may be required for interpretation of this agreement in any action by the Department to enforce this agreement.

XII

This settlement is being made in the interest of settling the state's claims and avoiding for both parties the expense and effort involved in litigation or an adjudicatory hearing. In agreeing to the compromise and settlement, the Department considered the factors for issuing civil penalties set forth in La. R. S. 30:2025(E) of the Act.

XIII

SGA/KFOC has caused a public notice advertisement to be placed in the official journal of the parish governing authority in Cameron Parish. The advertisement, in form, wording, and size approved by the Department, announced the availability of this settlement for public view and comment and the opportunity for a public hearing. SGA/KFOC has submitted a proof-of-publication affidavit to the Department and, as of the date this Settlement is executed on behalf of the Department, more than forty-five (45) days have elapsed since publication of the notice.

XIV

Payment is to be made within ten (10) days from notice of the Secretary's signature. If payment is not received within that time, this Agreement is voidable at the option of the Department. Penalties are to be made payable to the Department of Environmental Quality and mailed to the attention of Darryl Serio, Office of Management and Finance, Financial Services Division, Department of Environmental Quality, Post Office Box 4303, Baton Rouge, Louisiana, 70821-4303.

XV

In consideration of the above, any claims for penalties or compliance are hereby compromised and settled in accordance with the terms of this Settlement.

XVI

Each undersigned representative of the parties certifies that he or she is fully authorized to execute this Settlement on behalf of his/her respective party, and to legally bind such party to its terms and conditions.

SIGNATURE PAGE 1 OF 3

SAMUEL GARY, JR. & ASSOCIATES, INC.

BY: _____

(Signature)

CRAIG AMBLER

(Printed or Typed)

TITLE: VICE PRESIDENT

THUS DONE AND SIGNED in duplicate original before me this _____ day of

July

. 20 04

. at

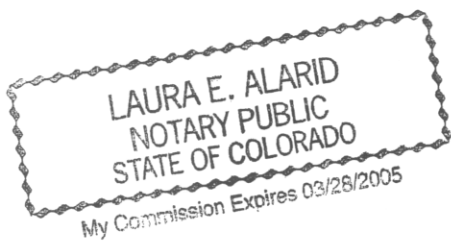
DENVER, COLORADO

Laura E Alarid

NOTARY PUBLIC (ID # _____)

LAURA E. ALARID

(Printed or Typed)



SIGNATURE PAGE 2 OF 3

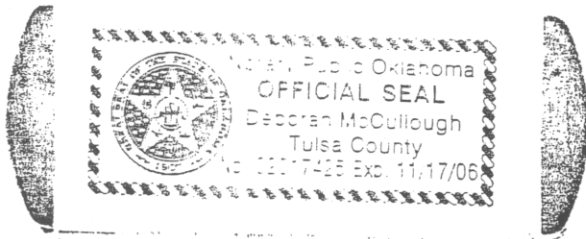
KAISER FRANCIS OIL COMPANY

BY: Wayne A. Fields
(Signature)

Wayne A. Fields
(Printed)

TITLE: Attorney-in-fact

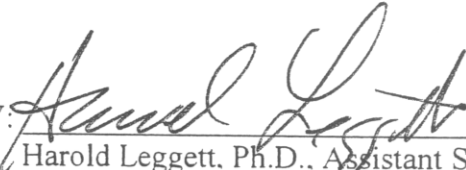
THUS DONE AND SIGNED in duplicate original before me this 21st day of
July, 20 04, at 2:05 p.m.



Deborah M. McCullough
NOTARY PUBLIC (ID # 02017425)
Deborah M. McCullough
(Printed or Typed)

SIGNATURE PAGE 3 OF 3

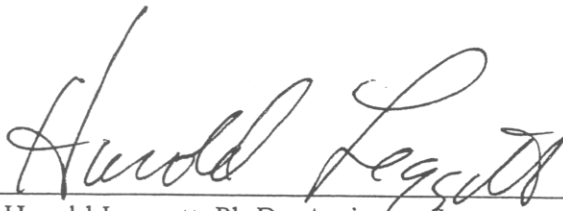
STATE OF LOUISIANA
Mike D. McDaniel, Ph.D., Secretary
Department of Environmental Quality

BY: 
Harold Leggett, Ph.D., Assistant Secretary
Office of Environmental Compliance

THUS DONE AND SIGNED in duplicate original before me this 11th day of
October, 2004, at Baton Rouge, Louisiana.


NOTARY PUBLIC (ID # 18675)

Christopher A. Ratcliff
(Printed or Typed)

Approved: 
Harold Leggett, Ph.D., Assistant Secretary



CHARLES C. FOTI, JR.
ATTORNEY GENERAL

State of Louisiana
DEPARTMENT OF JUSTICE
P.O. BOX 94005
BATON ROUGE
70804-9005

September 28, 2004

Mike D. McDaniel, Secretary
La. Department of Environmental Quality
Office of the Secretary
P.O. Box 4301
Baton Rouge, LA 70821-4301

Re: AG Review of DEQ Settlement;
Samuel Gray, Jr. & Associates, Inc. and
Kaiser Francis Oil Company

Dear Secretary McDaniel:

Pursuant to the authority granted to me by Art. IV, Sec. 8 of the state constitution and R.S. 30:2050.7(E)(2)(a), I approve the above referenced settlement.

Sincerely,

By: 
CHARLES C. FOTI, JR.
Attorney General

CCF/mlc